

22 October 1956

**MEMORANDUM FOR:** Deputy Director/Intelligence

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**ATTENTION:** [REDACTED]

**FROM:**

Assistant Director for Basic Intelligence

**SUBJECT:**

Bureau of the Budget Questions re  
Fiscal Year 1958 Budget

In response to the telephoned request of Mr. T. J. Hollihan,  
the enclosed replies are submitted to questions posed by the  
Bureau of the Budget on the OBI Fiscal Year 1958 Budget.

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[REDACTED]

**Enclosures:**

Replies to Questions  
A thru F

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A. (1) What are the criteria for determining which agencies should be reimbursed for NIS work and which should not?

Pursuant to provisions of NSCID No. 3, NIS production and maintenance responsibilities are allocated to those agencies of the Government which are best qualified by reason of their intelligence requirements, production capabilities, and dominant interest to assume the production and maintenance capability. As a result, certain non-IAC agencies, as well as State and the Defense Department intelligence agencies and certain CIA components, are drawn upon for NIS production. At the beginning of the NIS Program in 1948, arrangements were made for CIA to budget for all NIS production except that of the Defense Department intelligence agencies. Non-IAC agencies, such as Agriculture and Interior, were not in a position to seek funds for the production of those NIS elements for which they had unique capabilities but which were quite aside from their statutory assignments. In the case of the State Department, pre-fixed and usually reduced ceilings made it impractical to seek so large a new fund as production of State-assigned NIS elements (Sociological, Political, and Economic) required. As a necessary adjunct to the production of world-wide intelligence on all topics, CIA undertook fiscal support of the Office of Geography in the Department of the Interior, for which the Congress appropriates no funds, in the research and standardization of geographic names for the NIS Gazetteers and related geographic-name editing of NIS contributions.

The official views of CIA with respect to reimbursement practices are contained in a memorandum from DCI to Director of the Bureau of the Budget, dated 4 June 1955.

A. (2) What is the method used for calculating NIS reimbursements?

NIS reimbursements to the Departments of State, Agriculture, and Interior (less the Office of Geography) are made on the basis of the personal services cost of the personnel required by the respective agencies to produce the NIS elements for which they are responsible at a rate commensurate with the over-all NIS production goal of 8 equivalent NIS (i. e., 496 Sections) per year, plus certain other objects costs for administrative expense, equipment, supplies, and other support requirements. NIS reimbursement to the Office of Geography, Department of the Interior, is based on the amount of name standardization, gazetteer preparation, and name editing of NIS manuscripts required by the scheduled NIS production of the other agencies.

**B. Why are NIS reimbursements to other agencies to be increased? (C-15-5)**

Increased reimbursements to NIS contributing agencies in FY 1958 provide for personal service cost adjustments required for promotions, periodic step increases, and regular pay in excess of the 52-week base. The total increase of [REDACTED] in FY 1958 reflects increases to individual agencies as follows:

Department of State .....  
Office of Geography, Dept of the Interior...  
Department of Agriculture .....  
Department of the Interior.....

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The increase in Department of State funds is the result of the Wriston policy integrating departmental civil service positions and personnel with the Foreign Service. Integration has had two general effects on NIS production in the R Area, both carrying implications of increased fiscal requirements: 1) increased personal costs; and 2) somewhat lower individual productive capability. Foreign Service Officers generally command higher salaries than the civil service personnel they replace in the R Area. Moreover, the average periodic step increase of an FSO is \$300, or approximately double the average GS in-grade of \$150. In addition, funds must be provided for FSO promotions which are governed by the FSO promotion board and which occur without reference to the R Area. As regards the lower productive capability resulting from Wristonization, many Foreign Service Officers enter the R Area with little or no background in the kind of intelligence research and production the NIS requires. An initial period of in-training is necessary for these persons. FSO personnel will rotate into and out of the R Area every three years, causing a constant in-training problem. In short, the over-all R Area output in terms of the finished NIS product is expected to be lower on a per-man basis than in the past and, as a result, more personnel will be needed to maintain the required level of NIS production.

As regards the increase to the Office of Geography, several positions that have heretofore been charged to the NIS Program at 75% are now charged wholly to the Program as the result of the lack of direct Congressional appropriation to the Office of Geography and the fact that the Office of Geography is receiving practically no fiscal support from Defense Department agencies.

The increases to Agriculture and Interior reflect normal increases for promotions, periodic step increases, and the regular pay in excess of 52 weeks.

C. What proportion of NIS funds goes for maintenance as compared to new production? (C-13-3)

NIS production is scheduled on the basis of 8 equivalent NIS per year. No fixed percentage of initial production to maintenance production exists. Rather, scheduling is determined in accordance with certain priorities as to areas as determined by the Joint Chiefs of Staff. There was no maintenance production in the first three years of the NIS Program. In 1952, the first maintenance elements began to appear and maintenance production amounted to 3% of total production. As completion of initial production is realized on the most important areas, it is necessary to begin maintenance of those areas even though all areas of lesser priority have not had initial production. For example, intelligence interest dictates that maintenance of the NIS on the Soviet Air Force proceed even before initial production is begun on the air force of Paraguay. In FY 1956, maintenance production amounted to 17% of total production. In FY 1958, maintenance production is projected at 34% of total production. It is expected that by FY 1960, maintenance production will amount to half of total production. NIS funds will go for maintenance in roughly the same proportion as the production of maintenance is scheduled.

D. What is the special International Communism Unit in NIS? (C-13-3)

The special International Communism Unit in NIS was developed to satisfy a long felt need within the intelligence community for finished intelligence on this important subject. This requirement was noted in the CIA-conducted survey of USIA intelligence needs, an OCB paper concerning propaganda against Communism, and other internally circulated CIA papers. The project was approved by the DCI on 18 August 1955 with the concurrence of the Special Assistant for Intelligence, Department of State. The NIS production is allocated to State with CIA fiscal support in terms of two separate units. One unit known as Supplement VI will provide intelligence on the Communist apparatus in individual countries, with special attention to such aspects as the Party organization, its role in the political life of the country, its role in labor and agrarian movements, its infiltration into and exploitation of other social groups, and its clandestine activities. The second unit will appear as NIS 108 and will give integrated coverage on such world-wide Communist organizations as the World Federation of Trade Unions, the World Federation of Democratic Youth, and the International Association of Democratic Lawyers.

**E. Will you supply the Bureau of the Budget with a historical tabulation of NIS production and maintenance and with a forecast of activity at least through FY 1958?**

The following is a historical tabulation of NIS initial and maintenance production, in number of NIS Sections by year and cumulative, from the appearance of the first published Sections in FY 1949 through the FY 1958 production currently projected.

<u>Fiscal Year</u>	<u>Initial Production</u>		<u>Maintenance Production</u>		<u>Total Production</u>	
	<u>Yearly</u>	<u>Cumulative</u>	<u>Yearly</u>	<u>Cumulative</u>	<u>Yearly</u>	<u>Cumulative</u>
1949	158	158	0	0	158	158
1950	406	564	0	0	406	564
1951*	280	844	0	0	280	844
1952	407	1,251	14	14	421	1,265
1953	516	1,767	31	45	547	1,812
1954	396	2,163	35	80	431	2,243
1955	426	2,589	63	143	489	2,732
1956	423	3,012	89	232	512	3,244
1957	413**	3,425	137**	369	550**	3,794
1958	358**	3,783	192**	561	550**	4,344

\* Korean War period

\*\* Estimated

**PRODUCTION GOAL:** Eight equivalent NIS per year,  
or 496 NIS Sections.

F. Why does OBI have unvouchered funds?

OBI requires a small amount of unvouchered funds for foreign travel and for operational entertainment. Foreign travel requirements include visits abroad by area specialists for familiarization and NIS purposes, and visits by OBI officials

in connection with basic intelligence coordination and production. Operational entertainment funds are required for the occasional visits of representatives of foreign intelligence organizations to OBI in connection with the NIS Program.